

Message Text

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PAGE 01 TOKYO 02493 150704Z

ACTION EA-12

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TO USDOC WASHDC

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UNCLAS TOKYO 2493

FOR ITA/MOORHOUSE

E.O. 11652: N/A

TAGS: BEXP, JA

SUBJECT: TOKYO TRADE CENTER LEASE

1. THE TOKYO TRADE CENTER'S LEASE WITH TOKYU LAND CORPORATION WILL EXPIRE ON 5/31/78 AND PARAGRAPH 5 STIPULATES THAT QUOTE IF RENEWAL IS DESIRED, THE FINAL AGREEMENT ON THE TERMS THEREOF SHALL BE AGREED UPON THREE MONTHS PRIOR TO THE EXPIRATION DATE UNQUOTE. AS A CONSEQUENCE OF THIS, THE TC COMMENCED RENEWAL NEGOTIATIONS DURING MID-JANUARY BY SUGGESTING TO THE LANDLORD THAT THE LEASE BE EXTENDED FOR AN ADDITIONAL TWO-YEAR PERIOD WITH NO CHANGE IN EXISTING TERMS AND CONDITIONS; THIS OFFER WAS CATEGORICALLY REJECTED BY THE LANDLORD WHO COUNTERED WITH THE PROPOSAL THAT THE GOVERNMENT SHOULD AGREE TO A TWO-YEAR EXTENSION AT PRICES THAT WOULD REFLECT AN INCREASE OF 16.9 PERCENT ABOVE CURRENT LEVELS; ALL OTHER TERMS AND CONDITIONS TO REMAIN UNCHANGED.

2. AFTER SEVERAL NEGOTATING SESSIONS BETWEEN THE LANDLORD'S REPRESENTATIVES AND THE DTCD OVER THE PAST FOUR WEEKS, THE SITUATION NOW STANDS AS FOLLOWS:

A. LANDLORD OFFER: TWO-YEAR RENEWAL WITH AN ANNUAL RENTAL INCREASE OF 14.5 PERCENT DURING THE FIRST YEAR
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AND 15.9 PERCENT THE SECOND YEAR TO BE APPLIED ON PRESENT RENTAL CHARGES.

B. TRADE CENTER OFFER: TWO-YEAR RENEWAL WITH AN ANNUAL INCREASE OF 14.5 PERCENT DURING THE FIRST YEAR AND 15.0 PERCENT THE SECOND YEAR. ALSO, INSTEAD OF RENTAL PAYMENT FOR 12 MONTHS BEING MADE ANNUALLY IN ADVANCE, TC

OFFERED TWO (2) SEMI-ANNUAL ADVANCE RENT PAYMENTS DURING THE FIRST YEAR AND ONE (1) ANNUAL ADVANCE RENT PAYMENT THE SECOND YEAR. THIS LATTER STIPULATION WAS MADE IN AN EFFORT TO ALLEVIATE, OR MINIMIZE, THE CURRENT BUDGET SITUATION.

3. PRESENT RENT IS YEN 48,850,812 ANNUALLY. LANDLORD'S PROPOSAL WOULD INCREASE RENT TO YEN 55,934,180 FIRST YEAR, AND YEN 56,618,091 SECOND YEAR, OR \$233,059 FIRST YEAR, AND \$235,909 SECOND YEAR BASED ON EXCHANGE RATE OF YEN 240 PER DOLLAR. TC OFFER WOULD INCREASE RENT TO YEN 55,934,180 FIRST YEAR, AND YEN 56,178,434 SECOND YEAR, OR \$233,059 FIRST YEAR, AND \$234,077 SECOND YEAR. ADDITIONAL CHARGES E.G., LOADING AREA, COOLING HEATING, AND OTHER SERVICES NOT SUBJECT TO THIS PROPOSED INCREASE, ALTHOUGH PRESENTLY AMOUNTING TO YEN 4,481,256 ANNUALLY.

4. SINCE PROMPT ACCEPTANCE WILL BE REQUIRED WHEN AGEEMENT ON TERMS IS REACHED, PLEASE AUTHORIZE EXTENDING OUR CURRENT LEASE AT TERMS THAT WILL FALL SOMEWHERE BETWEEN THE ABOVE DETAILED POSITIONS.
MANSFIELD

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NNN

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